

GAO

United States General Accounting Office

Fact Sheet for the Honorable
Byron L. Dorgan, House of
Representatives

December 1988

**FOREIGN
INVESTMENT**

**Foreign Hostile
Takeovers of
U.S. Firms**





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-197843

December 15, 1988

The Honorable Byron L. Dorgan
House of Representatives

Dear Mr. Dorgan:

In response to your request of January 19, 1988, we are providing information on hostile takeovers of U.S. corporations carried out by foreign firms. Takeovers of U.S. firms are considered "hostile," or "contested," if the target firm's board of directors opposes the takeover and the bidding firm appeals directly to the target's shareholders through a public tender offer to acquire their shares.

This fact sheet includes information on the level of foreign and total U.S. hostile takeover activity as well as on total merger and acquisition activity from 1984 through the first half of 1988. The sources for this data include the Securities and Exchange Commission (SEC), which oversees tender offer filings, the private firm W.T. Grimm and Company, and the publications Mergers and Acquisitions and the Wall Street Journal.

Public tender offers are filed with the SEC, and so its data include the universe of foreign hostile takeover attempts. The SEC was able to identify foreign hostile takeovers only for the period after October 1, 1986, when it began to organize its public tender offer data to distinguish between domestic and foreign bidders. To identify the specific foreign hostile takeovers before October 1986, we relied on data prepared by the private Chicago-based company, W.T. Grimm & Company, which tracks publicly announced formal transfers of ownership of at least 10 percent of a company's assets or equity when the purchase price is at least \$500,000 and where one of the parties is a U.S. company. The Federal Trade Commission, which receives pre-merger notifications, does not specifically track foreign activity and since 1981 has discontinued annual reporting on corporate mergers and acquisitions. For information on total merger and acquisition activity, we relied on data from the publication Mergers and Acquisitions, which includes transactions involving a U.S. firm and valued at \$1 million or more. For information on the specifics of individual transactions, we relied on the Wall Street Journal. We did not verify the accuracy of the information received from these sources.

With regard to the unsuccessful foreign hostile takeover attempts shown in table I.4, we note that this list includes only those attempts for

which a formal tender offer was filed with the SEC. It does not show cases for which takeovers are publicly proposed but not formally filed and initiated with the SEC. Such "threatened" takeovers include Sir James Goldsmith's interest in Goodyear Tire and Rubber in 1986 and Robert Maxwell's interest in Harcourt, Brace, Jovanovich publishers in 1987 (both from the United Kingdom).

Foreign hostile takeover activity, as a share of total merger and acquisition activity, has been quite small. For example, in the first half of 1988 there were only 6 completed foreign hostile takeovers of U.S. firms, compared with 203 foreign acquisitions of U.S. firms and 1,340 U.S. acquisitions of U.S. firms. Total foreign acquisitions of U.S. firms have been increasing as a share of total U.S. merger and acquisition activity, rising from 6 percent of all transactions in 1984 to 9 percent in 1987 and to 13 percent for the first half of 1988. (See tables I.1 and I.2.)

As the data show, the actual number of foreign hostile takeovers of U.S. firms is fairly small—with only 17 completed takeovers out of 25 attempts over the past 4-1/2 years, compared with a total of 77 completed hostile takeovers and 191 attempts. The number of hostile attempts increased noticeably in the first half of 1988, with foreign attempts rising from 5 in 1987 to 11 in the first half of 1988, compared with total attempts of 35 in 1987 and 34 in the first half of 1988. (See table I.2.)

With regard to value, 14 of the 17 completed foreign hostile takeovers had approximate values of \$450 million or more, and 7 of these were valued at over \$1 billion. (See table I.3.)

British firms were most active in hostile takeover activity, accounting for 8 of the 17 completed takeovers. Of the remaining 9 takeovers, there were 3 by Canadian firms, 2 by French firms, and one each by Dutch, Japanese, Swedish, and Swiss firms.

Foreign hostile takeovers have occurred in a variety of industry sectors, with no particular pattern apparent. (See table I.3.)

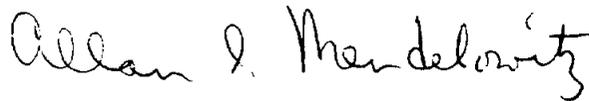
The success rate of foreign hostile takeover attempts—17 out of 25 attempts—was about 68 percent. This was higher than the success rate for all hostile takeovers, which was about 40 percent (77 out of 191 attempts). (See table I.2.)

In only 6 of the 17 completed foreign hostile takeovers was there any publicly identified U.S. firm competing with the foreign firm in bidding for the U.S. target, and in 2 cases the target firms' management and/or employees had formally attempted to buy the firms. In the 8 unsuccessful attempts, the U.S. target firms were acquired on a friendly basis by other U.S. firms in 4 cases, by friendly foreign firms in 3 cases, and by the target firm's management in one case.

Unless you publicly announce its contents earlier, no further distribution of this report will be made until 1 day from its issue date. At that time, we will provide copies to other interested parties. The principal staff members responsible for this review were Curtis F. Turnbow and Virginia C. Hughes.

If you have questions on the information provided, please contact me on (202) 275-4812.

Sincerely yours,



Allan I. Mendelowitz
Senior Associate Director

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Abbreviations

SEC Securities and Exchange Commission

Acquisitions and Takeovers of U.S. Firms

Table I.1: Merger and Acquisition Activity of U.S. Firms

Dollars in millions

	Number of transactions	Percent of total	Approximate value ^a
1988 1st half:			
Total acquisitions	1,543	100	\$88,875
Acquired by U.S. firms	1,340	87	68,679
Acquired by foreign firms	203	13	20,196
Foreign hostile acquisitions	6	0	15,536
1987:			
Total acquisitions	3,524	100	161,737
Acquired by U.S. firms	3,198	91	119,828
Acquired by foreign firms	326	9	41,909
Foreign hostile acquisitions	4	0	2,673
1986:			
Total acquisitions	4,157	100	202,198
Acquired by U.S. firms	3,799	91	177,008
Acquired by foreign firms	358	9	25,190
Foreign hostile acquisitions	3	0	4,232
1985:			
Total acquisitions	3,213	100	143,131
Acquired by U.S. firms	3,001	93	124,292
Acquired by foreign firms	212	7	18,839
Foreign hostile acquisitions	2	0	1,523
1984:			
Total acquisitions	2,807	100	122,024
Acquired by U.S. firms	2,625	94	113,983
Acquired by foreign firms	182	6	8,041
Foreign hostile acquisitions	2	0	6,181

^aValues are understated because they are based only on transactions where price data were revealed. For example, 1987 data are based on 1,796 transactions; 1986 on 1,970 transactions; 1985 on 1,620 transactions; and 1984 on 1,398 transactions.

Source: Mergers and Acquisitions (which includes transactions involving a U.S. firm and valued at \$1 million or more).

Appendix I
Acquisitions and Takeovers of U.S. Firms

Table I.2: Foreign Share of Total Hostile Tender Activity

	Number of Public Tender Offers					
	1984	1985	1986	1987	1st half 1988	Total all years
Total tender offers	96	121	160	162	131	670
Hostile	33	43	46	35	34	191
Completed	10	13	23	16	15	77
Failed	23	30	23	19	17	112
Pending ^a	0	0	0	0	2	2
Foreign tender offers	(b)	(b)	(b)	32	37	(b)
Hostile	2	3	4	5	11	25
Completed	2	2	3	4	6	17
Failed	0	1	1	1	5	8
Pending	0	0	0	0	0	0

^aAs of November 15, 1988.

^bBefore fiscal year 1987, the SEC did not organize its tender offer data to distinguish between domestic and foreign tender offers.

Sources: Based on SEC 1987 and 1988 data and Mergers and Acquisitions and Mergerstat Review (W.T. Grimm).

Appendix I
Acquisitions and Takeovers of U.S. Firms

Table I.3: Foreign Hostile Takeovers Completed

Dollars in millions

U.S. target industry	Foreign bidder/country	Approximate transaction value^a	Other U.S. bidder publicly identified
1988 - first half:^b			
Federated Department Stores/retail merchandising	Campeau Corporation/ Canada	\$6,600	yes
Farmers Group/ insurance	Batus Industries, PLC/ United Kingdom	5,200	no
Koppers Company/ construction and chemicals	Beazer PLC/ United Kingdom	1,710	no
Staley Continental, Inc./corn refining and food services	Tate and Lyle, PLC/ United Kingdom	1,500	no
Grolier Inc./ publishing	Hachette S.A./ France	450	no
Wolverine Technologies, Inc./ vinyl products	Saint-Gobain/ France	76	yes
1987:			
Manpower Inc./ personnel services	Blue Arrow/ United Kingdom	1,340	no
Reichhold Chemicals/ chemicals	Dainippon/ Japan	540	no
JWT Group/ advertising	WPP Group PLC/ United Kingdom	566	yes
Spectra-Physics/ lasers	Ciba-Geigy/ Switzerland	227	yes
1986:			
Allied Stores/ merchandising	Campeau Corporation/ Canada	3,470	yes
White Consolidated Industries/ appliances	A.B. Electrolux/ Sweden	743	no
Aeronca/ aerospace	Fleet Aerospace/ Canada	18	no
1985:			
Crown Zellerbach/ forest products	CZC Acquisition Corp./ (Sir James Goldsmith, chairman) United Kingdom	595	yes
SCM Corporation/ chemicals, coatings, and typewriter manufacturing	Hanson Trust PLC/ United Kingdom	928	no ^c
1984:			
Shell Oil/ petroleum	Royal Dutch Shell/ Netherlands	5,670	no
U.S. Industries/ office furniture manufacturing	Hanson Trust PLC/ United Kingdom	511	no ^c

^aAs reported in the Wall Street Journal

^bBetween July 1, 1988, and November 15, 1988, the SEC reports one additional completed foreign hostile takeover: Macmillan publishers was acquired by Maxwell Communications Corp., of the United Kingdom, for an approximate value of \$2.7 billion. There were two other active U.S. bidders.

^cFirm's management and/or employees attempted to buy the company through a leveraged buy-out. Sources: SEC, W.T. Grimm Mergers and Acquisitions, and the Wall Street Journal.

**Appendix I
Acquisitions and Takeovers of U.S. Firms**

Table I.4: Unsuccessful Foreign Hostile Takeover Attempts

Dollars in millions

Target firm/industry	Foreign bidder/country	Initial bid	Outcome
1988 - first half^a:			
Sterling Drug/ pharmaceuticals	Hoffman-LaRoche/ Switzerland	\$4,139	Target was acquired on friendly basis by U.S. firm (Eastman Kodak) for about \$5.1 billion.
KeveX Corporation/ material analysis instruments	UEI PLC/ United Kingdom	53	Target was acquired on friendly basis by British firm (VG Instruments PLC/ B.A.T. Industries PLC) for about \$65 million.
Firestone Tire and Rubber Company/ tires	Pirelli S.P.A./ Italy	1,930	Target was acquired on friendly basis by Japanese firm (Bridgestone Corp.) for about \$2.6 billion.
Murray Ohio Manufacturing Co./ bicycles and lawn mowers	A.B. Electrolux/ Sweden	195	Target was acquired on friendly basis by British firm (Tomkins PLC) for about \$224 million.
Essex Chemical Corporation/ industrial chemicals	Gurit-Huberlein AG/ Switzerland	119	Target was acquired on friendly basis by a U.S. firm (Dow Chemical) for about \$366 million.
1987:			
Decision Industries/ computer peripheral equipment	Econocom International, N.V./ France	51	Target was acquired on friendly basis by newly formed U.S. venture capital firm (Onset Corp.) for about \$105 million.
1986:			
Mayflower Group/ school bus and trucking operator	Laidlaw Transportation, Ltd./ Canada	225	Target agreed to be acquired for about \$260 million in a leveraged buy-out by a group led by the target's chairman.
1985:			
Richardson-Vicks, Inc./health and beauty products	Unilever NV/ Netherlands	1,261	Target was acquired on a friendly basis by a U.S. firm (Proctor and Gamble) for about \$1.61 billion.

^aBetween July 1, 1988 and November 15, 1988, the SEC reports one additional unsuccessful foreign hostile takeover attempt (Canadian Technical Tape, Ltd., sought to acquire Technical Tape for a transaction valued at \$16.5 million) and one additional pending attempt (Grand Metropolitan PLC of the United Kingdom bid to acquire Pillsbury valued at \$5.2 billion).

Source: SEC, W.T. Grimm, and the Wall Street Journal.

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